

G-011/GR-92-132 ORDER ACCEPTING COMPLIANCE FILINGS WITH
MODIFICATIONS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner

In the Matter of the Petition of
Peoples Natural Gas Company,
Division of UtiliCorp, Inc., for
Authority to Increase Its Rates
for Natural Gas Service in the
State of Minnesota

ISSUE DATE: August 6, 1993

DOCKET NO. G-011/GR-92-132

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PROCEDURAL HISTORY

On February 22, 1993, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in the above-captioned general rate case. In Order Paragraphs No. 2, 3, 4, 5 and 7 of that Order, the Commission required that Peoples Natural Gas Company (Peoples or the Company) file the following:

1. Revised schedules of rates and charges reflecting the revenue requirement and the rate design contained in the rate case, together with proposed customer notices of final rates;
2. A proposed plan for refunding the excess revenue collected during the interim period;
3. A revised base cost of gas and automatic adjustment;
4. A proposal to assure that no double recovery of the carrying costs associated with storage gas inventory will occur through the inclusion of storage gas in rate base;
5. The factors and calculations for determining lost margins and net benefits due to conservation efforts.

Peoples submitted its compliance filing pursuant to these requirements on April 28, 1993. On May 28, 1993, the Company modified its filing.

On June 26, 1993, the Department of Public Service (the Department) filed comments recommending approval of the compliance filings, with certain modifications and additions.

The matter came before the Commission for consideration on July 14, 1993.

FINDINGS AND CONCLUSIONS

I. Revised schedules of rates and charges and customer notices

The Department stated that the Company's proposed tariffs are correct and that they reflect the Commission-approved rates and charges. The Department recommended that the proposed effective date on the customer notices be amended to reflect the actual Commission-approved date of final-rates implementation.

The Commission agrees with the Department's recommendation and will accept the Company's proposed tariffs and notices with the recommended change.

II. The refund plan

The Department stated that the Company's proposed refund plan complies with Paragraph No. 3 of the February 22, 1993 rate case Order. The Department recommended that the Company be required to file a refund report upon completion of the refund process. The report should state the exact amount refunded to affected customers by customer class, and the exact prime rate used to calculate the associated interest.

III. Revised base cost of gas

In Docket No. G-011/M-93-272, the Company requested that it be allowed to establish a new base cost of gas to coincide with the implementation of final rates in the general rate case.

The Department reviewed the Company's miscellaneous filing in the G-011/M-93-272 docket, and made the following recommendations:

1. The Company's revised base cost properly corresponds to the Commission rate case Order and does not affect the Commission-approved revenue deficiency;
2. Peoples' calculation methodology is consistent with the Company's filed Purchase Gas Adjustment clause;
3. Peoples does not include carrying charges on firm deferred delivery storage costs in establishing the new base, as these costs were transferred into rate base in the rate

case;

4. The Company's calculations of the revised base cost of gas are correct.

The Commission agrees with and adopts the Department's recommendations on this issue. The Commission will accept Peoples' revised base cost of gas in conjunction with the implementation of final rates in the general rate case.

IV. Recovery of carrying costs associated with gas storage

The Department reported that the Company correctly identified the amount that will be refunded to customers due to carrying charges which were previously included in the PGA. The Department also noted that Peoples does not include carrying charges on firm deferred delivery costs in establishing the new base cost of gas in Docket No. G-011/M-93-272.

The Department recommended that the Commission accept the Company's filing indicating that double recovery of carrying costs associated with gas storage did not occur. To confirm that no double recovery occurs in the future, the Company should include in the 1993 Annual Fuel Report and true-up calculation the monthly amount collected in its PGAs that is directly attributed to carrying costs associated with gas storage.

The Commission accepts and adopts the Department's recommendation on this issue.

V. Calculation of lost margins

In its report, the Department stated that the Company's proposed calculations of lost margins complied for the most part with the requirements of Paragraph No. 7 of the February 22, 1993 rate case Order. The Department recommended, however, that the following modifications be made to the Company's proposal:

1. The Company proposes calculating benefits by multiplying actual savings (Mcfs) by the appropriate avoided cost. To ensure that Peoples' calculation of avoided cost is accurate, the calculation should include both avoided demand and avoided energy costs for the period covered by the conservation project;
2. Peoples proposes identifying costs associated with the Conservation Improvement Program (CIP) year. The Department recommends that Peoples specify that the costs associated with the CIP year are those costs that have been approved by the Commissioner of the Department in her Final Decision on

Peoples' 1992-1993 CIP, Docket No. G-011/CIP-92-33;

3. Peoples proposes using engineering estimates to project energy savings for Commercial/Industrial projects. The Department recommends that Peoples specify that it will use the energy savings engineering estimates approved by the Commissioner of the Department in her Final Decision on Peoples' 1992-1993 CIP, Docket No. G-011/CIP-92-33.

The Commission agrees with the Department's recommendations on this issue.

VI. Conclusion

The Commission finds that the Company's compliance filing is a good faith effort and in general complies with the requirements established in the February 22, 1993 rate case Order. The Commission finds further that the modifications and additions recommended by the Department will clarify the Company's filings and will assist the Department and the Commission in their analysis of the filings. The Commission will accept the Company's compliance filing, with the requirement that the Company comply with the recommendations and additions proposed by the Department.

ORDER

1. Peoples compliance filings dated April 28, 1993 and May 28, 1993 are accepted with the following modifications and additions:
 - a. The proposed effective date on customer notices of final rates shall be amended to reflect the actual date of final rates implementation;
 - b. Within 30 days of completion of the refund, the Company shall file a report stating the exact amount refunded to affected customers by customer class, and the exact prime rate used to calculate the associated interest;
 - c. In the 1993 Annual Fuel Report and true-up calculation, the Company shall provide the monthly amount collected in its PGAs that is directly attributed to carrying costs associated with gas storage;
 - d. The Company's proposed factors and calculations for determining lost margins and net benefits due to conservation efforts shall be modified as follows:

- i. The calculation of benefits should include both avoided demand and avoided energy costs for the period covered by the conservation project;
 - ii. Peoples' proposal should specify that the costs associated with the CIP year are those costs that have been approved by the Commissioner of the Department in her Final Decision on Peoples' 1992-1993 CIP, Docket No. G-011/CIP-92-33;
 - iii. Peoples' filing should specify that it will use the energy savings engineering estimates approved by the Commissioner of the Department in her Final Decision on Peoples' 1992-1993 CIP, Docket No. G-011/CIP-92-33.
2. Within 30 days of the date of this Order, the Company shall file amendments to the compliance filing reflecting the modifications found in Order Paragraph 1 (d) of this Order.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)